

ORIGINAL

**WORLDCOM**

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December 5, 2000

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Hand Delivery

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

Re: EX PARTE -- CC Docket No. 00-176; Applications of Verizon  
Pursuant to Section 271 of the Telecommunications Act of 1996 to  
Provide InterLATA Services in Massachusetts

Dear Ms. Salas:

On December 4, 2000, Wayne Huyard, Thomas O'Neil, Brad Stillman and I met with Commissioner Michael Powell, and Kyle Dixon and Paul Jackson of his office, on UNE pricing and related issues involved in the pending application of Verizon to offer in-region long distance services in the state of Massachusetts. Specifically, we discussed WorldCom's desire for local competition and problems with Verizon's switching and loop rates which prevent widespread local competition in Massachusetts, as set forth in the attached materials which were provided at the meeting.

In accordance with section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, an original and one copy of this Notice are being filed with your office.

Sincerely,



Keith L. Seat

Enclosure

cc (w/o encl.): Commissioner Michael Powell, Kyle Dixon, Paul Jackson

cc (w/encl.): Susan Pie, Josh Walls, Cathy Carpino

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**Verizon's Section 271 Application for  
Massachusetts Should Be Denied:**

**Verizon's Ongoing Price Squeeze Prevents  
Robust Local Exchange Telephone  
Competition in Massachusetts**

December 4, 2000

# Comparison of Massachusetts UNE-P Pricing with States WorldCom Has Entered

	<u>MA--DTE</u>	<u>MA--Z-Tel</u>	<u>MA--10/13</u>	<u>NY</u>	<u>TX</u>	<u>PA</u>
Households (000)	2,376	2,376	2,376	5,973	5,117	3,398
Zone Density	100%	100%	100%	100%	100%	100%
<b><u>Revenue:</u></b>						
Local	\$26.65	\$26.65	\$26.65	\$32.74	\$22.97	\$22.42
Access	<u>\$4.34</u>	<u>\$4.34</u>	<u>\$4.34</u>	<u>\$4.13</u>	<u>\$4.90</u>	<u>\$5.38</u>
Total Revenue (1)	\$30.99	\$30.99	\$30.99	\$36.87	\$27.87	\$27.80
<b><u>Telco:</u></b>						
Unbundled switch port	\$4.49	\$4.49	\$2.00	\$2.50	\$2.90	\$1.90
Unbundled loop	\$15.66	\$15.66	\$15.66	\$14.81	\$14.15	\$14.01
UNE switching & transport (2)	<u>\$21.68</u>	<u>\$14.57</u>	<u>\$10.50</u>	<u>\$10.60</u>	<u>\$4.17</u>	<u>\$5.02</u>
Total Telco (3)	\$41.83	\$34.72	\$28.16	\$27.91	\$21.22	\$20.93
<b>Gross Margin (line/month)</b>			\$2.83	\$8.96	\$6.65	\$6.87

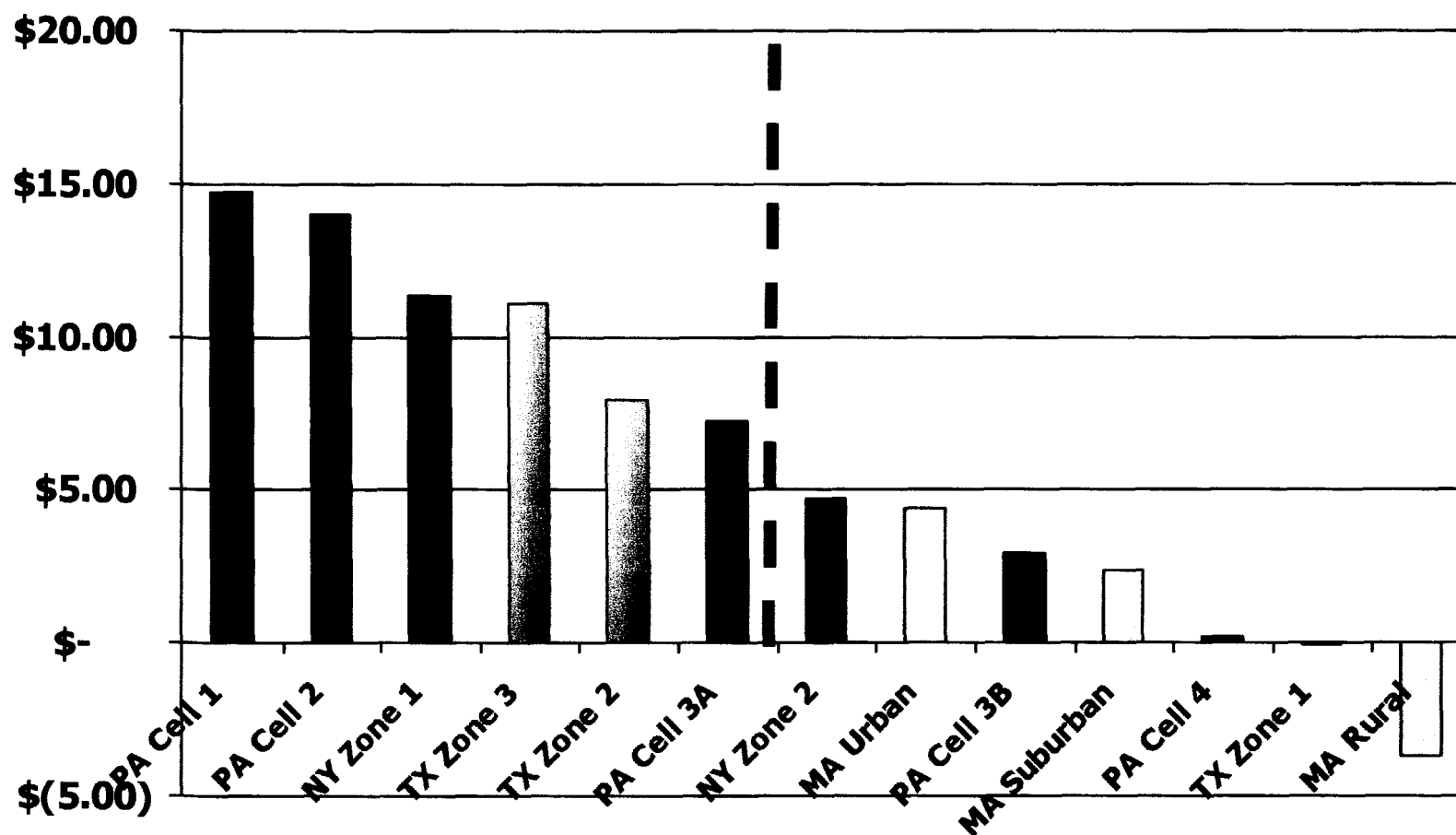
1 BOC retail rates, without discount. Includes line fee, usage, 1 feature (2 in TX), and SLC.

2 Reflects MA DTE's Sept. 7, 2000 order which reduced charges on intra-End Office calls, and slight revision in call-flow methodology.

3 Does not include Non-Recurring charges (NRCs).

Note: Analysis does not include WorldCom or other CLEC internal costs (e.g., billing, customer service, sales/acquisition, bad debt)

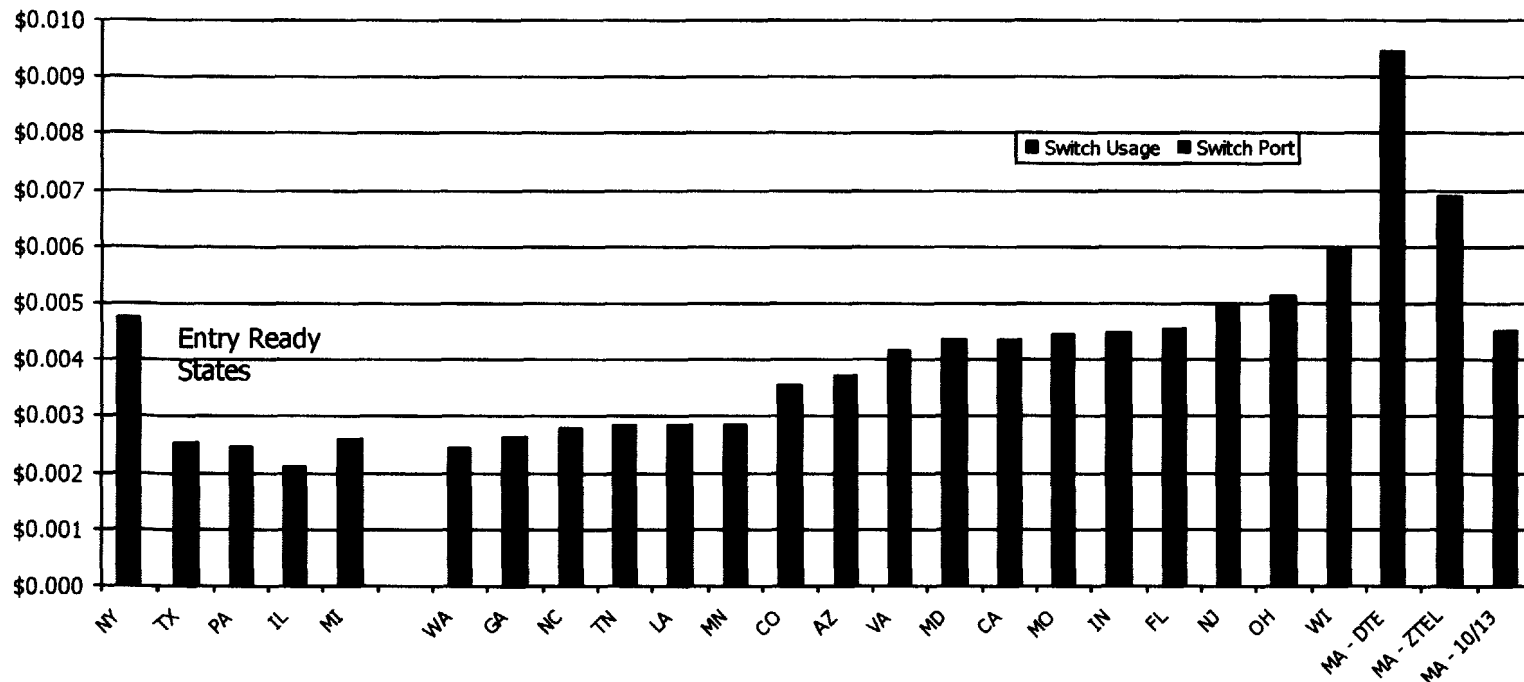
# Gross Margin by Zone in Massachusetts and States WorldCom Has Entered



MA Metro zone omitted as de minimis, as it contains only 2% of households in state.

Note: Analysis does not include WorldCom or other CLEC internal costs (e.g., billing, customer service, sales/acquisition, bad debt)

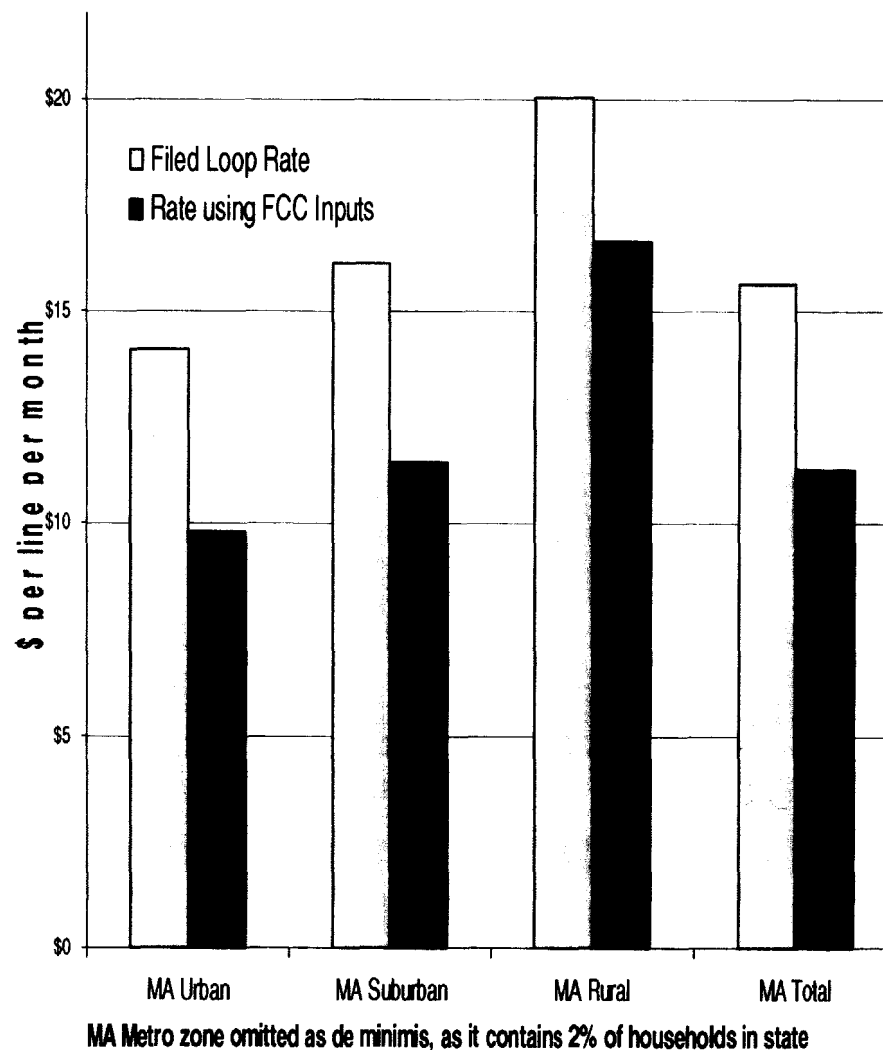
# UNE Costs Are Too High for Competitive Entry in Many States: Switching Rates in Largest States



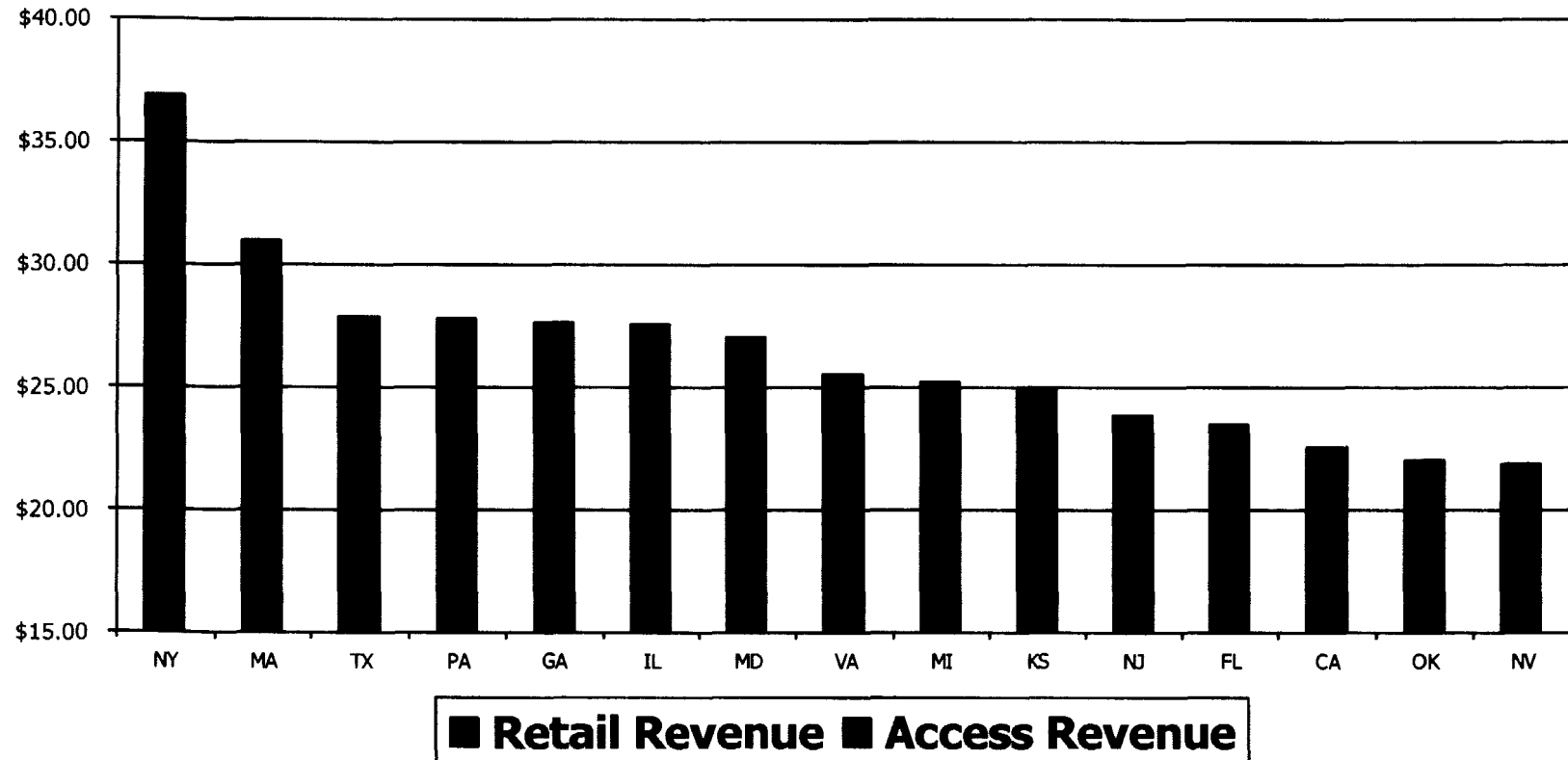
- Rates per minute in BOC regions of the largest states have been calculated by dividing the estimated monthly switching, transport and port costs per line by total local and long distance minutes (originating & terminating).
- The port charge in IL includes unlimited switching at no extra charge; the effective switching rate is the result of other elements, including transport.
- Reflects MA DTE's 09/07/2000 order, whereby switching applies only once on Intra-EO calls. Also reflects slight revision in call flow methodology.

# Loop Rate Is Over \$4/Month Too High

- Verizon's loop cost study (adopted by MA DTE) made numerous errors in:
  - Utilization Factors
  - Pole Inputs
  - Cost of NIDs
  - Cost of Cable
  - Cost of Capital
- Using inputs from FCC's Synthesis Model reduces loop rate to \$11.24 instead of Verizon's \$15.66



# Local Residential Revenue by State



- Monthly BOC residential retail rates for dominant product (to extent known) in states for which information is available.
- Includes Access Revenue from LD/LATA minutes; feature is Call Waiting for all states except TX (which is Call Waiting and Caller ID)
- FL rate is for unlimited product in the Miami area (highest in state), plus an additional \$1.25 for ECS calling.